Department of Finance

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Minister of Finance Issues Statement on Financial Markets

The Honourable Jim Flaherty, Minister of Finance, made the following statement in response to recent developments in financial markets:

"As I have said before, Canada is not immune to fluctuations in global financial markets. Clearly, there are stresses in some corners of the Canadian money markets. The Bank of Canada took additional steps yesterday in support of the efficient functioning of markets. I am in close contact with Bank of Canada Governor Dodge and market participants. As well, I have asked my officials to continue to monitor the situation closely.

I welcome the positive actions of Canadian banks in support of asset-backed commercial paper vehicles that they sponsor. I know that there are distinct pressures in the market for the non-bank sponsored asset-based commercial paper vehicles. It is in the best interest of all involved that sponsors, liquidity providers (including large international banks) and investors (including large pension funds) engage constructively to pursue orderly market solutions to this liquidity situation. In this regard, I welcome the announcement this morning by major investors and liquidity providers in the structured product portion of this market. One of the attractive features of this agreement is that it provides time for full information and analysis of these securities.

We must be clear that the fundamentals in our economy are very strong—that includes corporate balance sheets and household savings—and that our financial system remains very well capitalized.

The Canadian economy is the strongest it has been in a generation. The unemployment rate is at a 32-year low. Close to 200,000 jobs have been created this year alone. The financial position of Canadian households is solid, supported by strong employment and income growth. And household net worth relative to disposable income has never been higher. The corporate sector is also strong. Corporate profits are at record highs. Business investment is expanding for the fifth consecutive year."

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